

[illegible]

TSG = Term Sheet Generator

1. Our Ref. *DMS Transaction No.*
2. Date: *TSG1(a)*
3. **[FULL NAME & ADDRESS OF LESSEE]** – *Contact Database or Manual Input*
4. **Attention:** – *Contact Database or Manual Input*

LETTER OF INTENT

5. Dear _____, – *Contact Database or Manual Input*
6. *Please find attached a summary term sheet outlining the understanding reached about the potential lease of a _TSG2_ ("Aircraft") to TSG4*
7. This letter with attachments is only an outline, not an offer or agreement to lease. No contract will exist until an Aircraft Specific Lease Agreement ("ASLA"), incorporating an aircraft common terms agreement, is signed by both Lessor and Lessee.

Accordingly this Letter of Intent creates no legal obligations unless and until Lessor and Lessee obtain all necessary corporate approvals and third party consents. Then it is mutually intended that this Letter of Intent shall only oblige each party to negotiate in good faith towards a final binding agreement.

Please note that the Aircraft remains on the market until we have received the deposit, this counter signed Letter of Intent and Lessee's most recent audited accounts, management accounts and business plan (including the plan for the use of the Aircraft). Lessor will keep such information confidential.

These terms are available only to Lessee and by requesting this Letter of Intent Lessee acknowledges that this letter contains commercially sensitive and proprietary information. Lessee agrees to maintain this information strictly confidential and agrees to disclose it to no person other than Lessee's board of directors and Lessee's employees and professional advisers, if any, advising Lessee in connection with the subject matter of this Letter of Intent.

It is intended that a lease incorporating the terms of this Letter of Intent (as accepted) and other terms normal to such transactions shall be executed no later than 45 business days from the date of acceptance of this Letter of Intent.

If such documentation is not executed by Lessee within that period, Lessor may remarket the Aircraft and until the Lease has been executed by Lessor and Lessee, Lessor will not commence expenditure on the incorporation of modifications to the Aircraft that may be required to meet Lessee's requirements.

8. Time table for lease negotiations

Upon and subject to receipt by Lessor of all corporate approvals and third party consents which may be required, Lessor and Lessee agree to negotiate in good faith towards the prompt execution of the Lease in accordance with the following schedule :

- (a) Lessor will provide a first draft of the Lease within *TSG32(a)* business days of the date of signature of this Letter of Intent.
- (b) Lessee agrees to provide any comments it may have on the draft Lease within *TSG32(b)* business days after issue of the first draft.
- (c) Each party agrees to provide redrafts and any subsequent comments to each other on any drafts/comments received from the other within *TSG32(c)* business days.
- (d) To assist swift review of documents and reduce excessive e-mail and paper drafts, an electronic deal room [accessible from your extranet page] has been set up. Please let us know who you would like to authorise to access this room.
- (e) Associates working on this transaction are: From Deal Team Maintenance database (CADB)

Please advise details for Commercial, Technical and Legal resources at the airline.

* * *

9. By signing this Letter of Intent the parties acknowledge and agree that Lessor's ability to proceed with and consummate the transaction and to enter into the Lease with Lessee in respect to this transaction is subject to and expressly conditioned upon: (i) the continued availability of the Aircraft, (ii) the receipt by Lessor of all requisite corporate approvals as well as all necessary third party consents, (iii) submission by Lessee to Lessor of sufficient information to allow Lessor to assess the financial and commercial condition of Lessee, present and future, and Lessor being satisfied in its sole discretion with such financial and commercial condition, and (iv) completion of satisfactory transaction documentation including other terms not stated herein which are normal to such transactions.
10. This Letter of Intent is valid for acceptance on or before *TSG31*. Please indicate your agreement by signing the attached counterpart of this Letter of Intent at the place indicated below and returning it to us by then.

Yours sincerely,

11. Deal Sponsor from Deal Set up on DMS

To indicate our agreement to the terms and conditions of this Letter of Intent, we have signed below:

12. On behalf of *TSG4*

Name:

Title:

Date: _____, 200__

Summary Term Sheet
Strictly Confidential to Addressee

Ref: TSG1
 Date: TSG1(a)

13. Lessee: TSG4
 14. Lessor: TSG4(a)
 15. Aircraft Type: TSG2
 16. Aircraft Serial Number: TSG3
 17. Date of Manufacture: TSG3
 18. Engine Type: TSG3
 19. Lease Term: TSG6
 20. Rent: Month 1 to 6 : TSG7
 Month 7 to 12: TSG7

Need to select full rental paragraph based on TSG7(d) from any one or more of:

Rent Option 1

For floating rate transactions

US\$[] [per Aircraft] per month in advance based on an assumed USD LIBOR borrowings for [six] months ("Cost of Funds") of [%] per annum. Rent will be adjusted for changes from the assumed Cost of Funds, which shall be established by reference to the Bloomberg BBAM1 page on actual Delivery Date of the Aircraft and reset thereafter two (2) days prior to the commencement of the next [six]-month Rental fixing period.

Rent Option 2

For fixed rate transactions

[US\$ [] [per Aircraft] per month in advance based upon a rate for a [Lease Term]-year US dollar fixed interest rate swap (as determined by Bloomberg Screen IRSB17(Ask Rate) of [%] per annum ("Cost of Funds"). Rent will be adjusted for changes from the assumed Cost of Funds two days prior to the Scheduled Delivery Date of the Aircraft.

Rent Option 3

[for fixed rent not requiring further adjustment –

Lessee shall pay US\$ [] [per Aircraft] per month in advance.]

Rent Option 4

[power by the hour]

For the period [] to [] ("PBH Period"), Lessee shall pay Rent equal to \$[] ("PBH Rate") multiplied by the number of Flight Hours operated by the Aircraft during the relevant month, subject to a minimum Rent of \$[] [and maximum Rent of \$[]] per one calendar month.

Rent Option 5

(Where lessee is to have option to change to fixed rent from floating rent)

The Lease would allow Lessee an option to fix the floating rent at an agreed time, in line with Lessor's quote for cost of fixed funds

(including any forward fixing costs) whilst preserving the same transaction economics for Lessor.

21. **Security:** TSG8(a) by way of TSG8(b)
22. **Scheduled Delivery Date:** TSG5
23. **Delivery Location:** TSG15, or such location to be agreed by Lessor and Lessee
24. **Registration:** TSG16
25. **Redelivery Location:** TSG18, or such location to be agreed by Lessor and Lessee

26. **Supplemental Rent:**

Based on an assumed hour to cycle ratio of TSG9(b) and an annual utilisation of TSG9(a) flight hours for the aircraft.

	<u>US\$ per flight hour</u>
Airframe D check or equivalent	TSG9(e)
Engine off-wing refurbishment	per engine TSG9(f)
Engine Life Limited Parts	per engine TSG9(f)
Landing gear overhaul	TSG9(g)
APU refurbishment	TSG9(h)

27. **Delivery Conditions**

- Configuration:** First Class TSG21(a), business Class TSG21(a), Tourist/Coach Class TSG21(a).
- Airframe:** Ex a block TSG21(b) check in accordance with previous operator's maintenance program[me].
- Engines:** Not less than TSG21(c) cycles of life remaining to the next expected removal.
- Components:** Not less than TSG21(d) flight hours and TSG21(d) cycles and TSG21(d) months of life remaining, as applicable, to the next scheduled removal in accordance with the previous operator's maintenance program[me].
- APU:** Not more than TSG21(e) flight hours since last gas path refurbishment.
- Airworthiness Directives:** In compliance with all airworthiness directives issued prior to the Delivery Date requiring compliance within TSG17 days after delivery.
- Livery Painting:** TSG21(g)
- Demonstration Flight:** At delivery Lessor will provide a demonstration flight not exceeding two hours in duration.
- ETOPS:** In compliance with manufacturer's recommendations for TSG21(f) minutes ETOPS operations

28. **Redelivery Conditions**

- Configuration:** As at delivery or as reasonably requested by Lessor.
- Airframe:** Ex a block TSG22(a) or annual check in accordance with the maintenance program[me].
- Engines:** Not less than TSG22(b) cycles of life remaining to the next expected removal.

Components: Not less than TSG22(c) flight hours and TSG22(c) cycles and TSG22(c) months of life remaining, as applicable, to the next scheduled removal in accordance with the previous operator's maintenance program[me].

APU: Not more than TSG22(d) flight hours since last gas path refurbishment.

Livery Painting: Painted in an external livery to be advised by Lessor or TSG22(f)

Export: The Aircraft will have a valid export certificate of airworthiness issued by the Air Authority.

ETOPS: In compliance with manufacturer's recommendations for TSG22(e) minutes ETOPS operations.

29. Options**29(a) Early Termination Option**

Lessee shall have the right to terminate the leasing of the Aircraft on TSG10(a) provided that notice is given in writing TSG10(a) months prior to the Early Termination Date.

29(b) Extension Option

Lessee shall have the right to extend the Term of the Lease by TSG10(b) months provided that notice is given in writing TSG10(b) months prior to the Original Termination Date.

29(c) Purchase Option

Lessee shall have the right to Purchase the Aircraft on TSG10(c) for an amount equal to US\$TSG10(c) provided that notice is given in writing TSG10(c) months prior to the Exercise Date.

29(d) Euro Option

Lessee would have an option to pay Rent in euro instead of Dollars. Such euro rent would be based on Lessor's cost of funds and exchange/swap rates and would be adjusted for changes from the assumed cost of funds, identifying a formula showing the effect of an increase or decrease in € of the US\$ swap rate, the US\$/€ exchange rate and the swap rate.

TSG7(c)]

30. [Lessee] Aircraft Modifications

The following modifications will be accomplished prior to the Delivery Date:

<u>Mod</u>	<u>Cost</u>	<u>For Account of:</u>
TSG23	TSG23	Lessor/Lessee (TSG23)

Lessor shall contribute US\$TSG24(a) to the cost of such modifications. Lessee shall repay Lessor for the cost of such modifications at the rate of TSG24(b)% of the cost of such modifications per month over the Lease Term.

31. Insurance:

a)	Hull Value	TSG11
b)	Deductible	TSG12 maximum
c)	Liability	TSG13 minimum
d)	PRI:	Lessor shall effect and maintain repossession insurance during the term at Lessee's expense.

(DO NOT PRINT BLANK TEXT IF NOT APPLICABLE)

[Airline]

Ref: **GENERATE TERM SHEET SPECIFICATION**

This does not constitute a offer or agreement to lease and is subject for example to the continued availability of the aircraft, approvals for Lessor and Lessee and the conclusion of an Aircraft Specific Lease Agreement.

The Summary term sheet must be read in conjunction with the terms of the Letter of Intent and the following notes.

32. **Security:** The level of security indicated may change dependent upon the information to be supplied by Lessee to Lessor for Lessor's assessment.

33. **Deposit:** The deposit is payable in cash by wire transfer as follows:

(i) US\$100,000 on acceptance of this Letter of Intent.

(ii) 30% on the earlier of (a) the signing by Lessee of the Lease for the Aircraft and (b) 30 days from the date of Lessee's acceptance of this Letter of Intent.

(iii) The balance prior to the Delivery Date.

On satisfaction of all the terms of the Lease, Lessor shall refund the amount of the deposit at lease expiry.

34. **Letter of Credit:** The letter of credit must be issued in a form and by a bank acceptable to Lessor and, if requested by Lessor, confirmed at Lessee expense by a major international bank satisfactory to Lessor.

35. **Guarantee:** The Guarantee must be issued in a form and by a Guarantor acceptable to Lessor.

36. **Rent:** Lease Rentals are based on the manufacturer's price for the Aircraft in TSG7(a) and will be adjusted, the amount to be advised on or prior to the actual Delivery Date, to reflect the increase in the manufacturer's price to Lessor from then to the actual Delivery Date of the Aircraft (and any weight increase from the minimum requested by Lessee).

37. **Scheduled Delivery Date:** this is an estimation only but Lessor will keep Lessee advised of actual delivery month and delivery day at relevant agreed intervals.

38. **Net Lease:** The lease will be a "net" lease. Lessee's obligation to pay Rent and perform all of its other obligations is absolute and unconditional.

39. **Assignment:** Aircraft ownership interest and leasehold interest shall be freely transferable and assignable by the owner(s) of any such interest at all times. Lessee shall have no right either to sublease the Aircraft or to assign any interest it may have in the Lease to any person or entity without Lessor's prior written consent. [TSG28(a) - However Lessee and Lessor shall seek to agree a list of airlines which Lessor shall pre-approve as sub-lessees, subject to there being no material changes and subject to satisfactory terms, for example as to subordination, insurance, duration of sub-lease and operating limits]. [TSG28(b) - Short term wet leasing will be permitted subject to satisfactory safeguards, for example as to no change of operational control and satisfactory insurance cover.]

In connection with any proposed sublease, upon receiving an invoice from Lessor, Lessee shall pay a fee of TSG29 to Lessor to defray Lessor's costs of evaluating the proposed subleasing arrangement; such fee shall be payable to Lessor whether or not Lessor ultimately consents to any such sublease.

Lessor reserves the right to leverage its leasehold interest, or to put in place such other funding or other arrangements whatsoever as Lessor may consider necessary or desirable, on or after delivery. Lessee agrees to cooperate with any such arrangements and to execute all documents reasonably requested by Lessor in that connection.

40. **Supplemental Rent:**

a) Lessee shall pay Supplemental Rent [depends on TSG9(d)] [monthly in arrears on the fifteenth day of each month for the hours flown in the previous month].

[Where TSG(9) (d) calls for letter of credit to secure maintenance contribution at lease end:

To secure its payment obligations for maintenance contributions at lease end, Lessee will provide Letters of Credit to Lessor's satisfaction, at the times and in the total principal amounts as follows:

the date falling [] months after delivery - \$
 the date falling [] months after delivery - \$
 the date falling [] months after delivery and thereafter -\$

b) Supplemental Rent is subject to annual escalation of TSG9(c) per annum and is also subject to adjustment where the hour to cycle ratio or the annual utilisation changes.

c) TSG25(a) Subject to actual receipt of Supplemental Rent from Lessee, provision of satisfactory invoices and supporting documentation, and verification that the work is completed and in accordance with the relevant approved maintenance programme, Lessor shall contribute towards the cost of completion of each identified maintenance task in amounts not exceeding the applicable Supplemental Rent paid by Lessee in respect of the completion of that maintenance task.

d) Insert additional paragraph based on TSG25(b) –

If [at the first maintenance event] the supplemental rent paid for a particular maintenance event is insufficient to cover the amount of the relevant invoice, Lessee shall be entitled to a credit against future supplemental rent on that event, to the extent of the shortfall taking account of any contributions already made by Lessor.

41. Taxes:

a) TSG27 All payments by Lessee shall be made free and clear of all taxes and duties, including withholding tax, sales, use, and excise taxes, VAT and income taxes. All taxes, other than taxes on the income of Lessor in its home jurisdiction shall be the responsibility of Lessee.

b) TSG27(b) Lessee will indemnify Lessor on an after-tax basis for the loss of certain U. S. income tax benefits including accelerated depreciation for tax purposes and foreign tax credits that may be caused by use or operation of the Aircraft outside the United States or by foreign users or operators.

c) TSG27(c) Lessee will indemnify Lessor on an after-tax basis for the loss of certain U.S. income tax benefits available because of the use of a foreign sales corporation by Lessor that may be caused by Lessee's use or operation of the Aircraft or by Lessee's making certain changes to the Aircraft contrary to restrictions to be set forth in the Lease.

42. **Maintenance:** Lessee shall be responsible at its cost for all Maintenance required for the Aircraft during the Lease Term, including compliance with all airworthiness directives and mandatory orders requiring compliance during the Lease Term or during the TSG17 days following re-delivery. Lessee shall provide Lessor with details of its Maintenance programme and performer for review prior to execution of lease documentation. [AD sharing paragraph TSG19 & 20 Airworthiness Directive costs in excess of \$[threshold from TSG19] would be shared between Lessor and Lessee based on a factor of [factor from TSG20] months life of the Airworthiness Directive -]

43. **Insurances:** Lessee shall be responsible, at its expense, for the maintenance of hull, war risk, and liability insurances with insurers on terms acceptable to Lessor. Spares insurance at a level appropriate to the size of Lessee's operations will also be required.

44. **No Brokers:** Neither Lessor nor Lessee has engaged the services of a broker or similar representative agent for purposes of this transaction. Each party shall represent to the other the absence of such brokers and indemnify the other with respect to any breach of such

representation. is currently the manager of Lessor's assets identified in this Letter of Intent.

45. **Costs and Expenses:** Lessee shall be responsible for all costs associated with perfecting the Lease in the state of registration, the state of habitual base of the Aircraft (and other states as appropriate given the operation of the Aircraft), including (but not limited to) the provision of legal opinions, tax advice, stamp duties, translations and registrations, whether required by Lessor or Lessee. Lessee shall also be responsible for all costs incurred by Lessor (and the owner of the Aircraft if other than Lessor) in connection with the enforcement or preservation of Lessor's (and such owner's) rights under the Lease.

[In addition to being responsible for its own costs and expenses, Lessee shall make a contribution of TSG29(a) towards Lessor's costs and expenses associated with the negotiation and documentation of this transaction which amount shall be paid in cash [on acceptance of this Letter of Intent][on the earlier of (a) the signing by Lessee of the Lease and (b) 30 days from the date of Lessee's acceptance of this Letter of Intent][two days prior to the Delivery Date].] No – this para becomes unnecessary if zero contribution]

46. **Payments**

Payments by Lessee shall be made by wire transfer to TSG30.